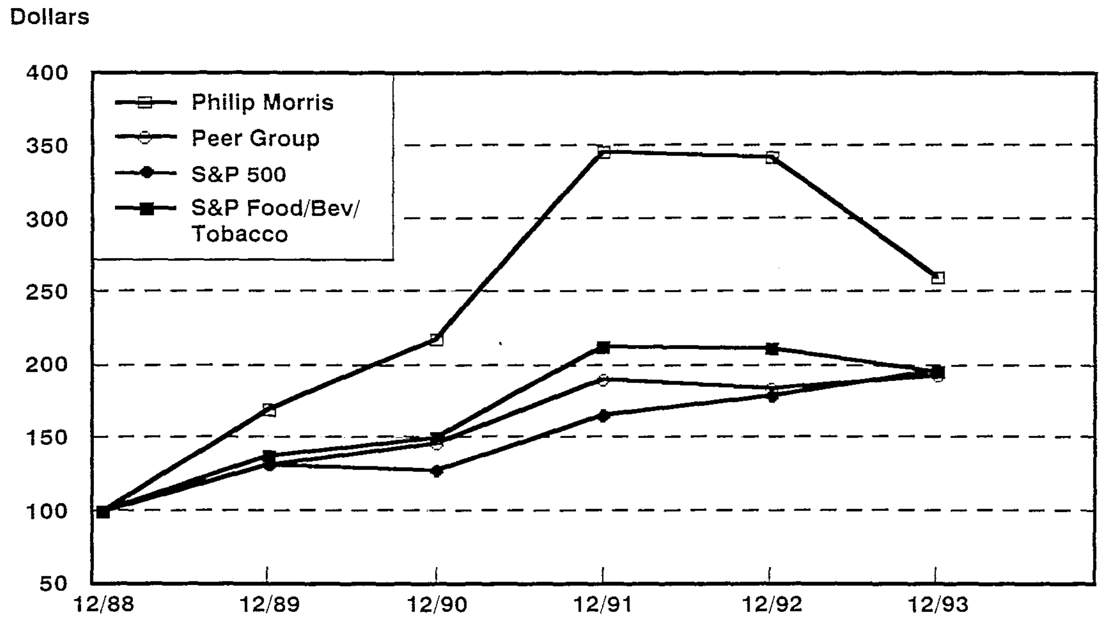
Comparison of Five-Year Cumulative Total Return (1):



	1988	1989	1990	1991	1992	1993
Philip Morris Companies Inc.	100.00	169.08	217.42	346.32	342.99	259.83
Peer Group	100.00	131.45	146.97	189.95	184.18	192.52
S&P 500	100.00	131.59	127.49	166.17	178.81	196.75
S&P Food/Bev/Tobacco	100.00	137.32	150.35	213.24	211.63	194.60

Assumes $100 invested on December 31, 1988 in Philip Morris Common Stock, S&P 500 Index, S&P 500 Beverages (Alcoholic), S&P 500 Foods and S&P 500 Tobacco Indices (2) and Peer Group (3).

(1) Total return assumes reinvestment of dividends on a quarterly basis.

(2) No standardized industry index is considered a comparable peer group. The following companies constitute the S&P 500 Beverages (Alcoholic), S&P 500 Foods and S&P 500 Tobacco Indices: Adolph Coors Company, American Brands, Inc., Anheuser-Busch Companies, Inc., Archer-Daniels-Midland Company, Borden, Inc., Brown-Forman Corporation, Campbell Soup Company, ConAgra, Inc., CPC International Inc., General Mills, Inc., Gerber Products Company, H.J. Heinz Company, Hershey Foods Corporation, Kellogg Company, Pet Incorporated, The Quaker Oats Company, Ralston Purina Company, Sara Lee Corporation, The Seagram Company Ltd., UST Inc. and Wm. Wrigley Jr. Company. Although the Company is a component of the S&P 500 Tobacco Index, it has been excluded for the purpose of this presentation.

(3) The Peer Group consists of the following companies, selected on the basis of size, complexity and return to stockholders: American Brands, Inc., American Home Products Corporation, Amoco Corporation, Anheuser-Busch Companies, Inc., ARCO, The Boeing Company, Bristol-Myers Squibb Company, Chevron Corporation, The Coca-Cola Company, ConAgra, Inc., CPC International, Inc., E.I. du Pont de Nemours and Company, Exxon Corporation, General Electric Company, General Mills, Inc., H.J. Heinz Company, International Business Machines Corporation, Johnson & Johnson, Merck & Co., Inc., Mobil Corporation, PepsiCo, Inc., Pfizer, Inc., The Procter & Gamble Company, RJR Nabisco, Inc., Sara Lee Corporation and Texaco Inc. Because of a change in the nature of its business which occurred in 1993, Ralston Purina Company is no longer included in the Peer Group.

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Summary Compensation Table

Name and Principal Position	Year	Annual Compensation: Salary	Bonus	Other Annual Compensation (1)	Long Term Compensation: Awards (2) Securities Underlying Options	Payouts LTIP (3)	All Other Compensation (1)(4)
		$	$	$	shs.	$	$
Michael A. Miles	1993	1,000,000(5)	345,000	9,558	125,000	-0-	150,000
Chairman of the Board &	1992	950,000	900,000	12,117	575,000	2,191,104	142,500
Chief Executive Officer	1991	807,501	850,000		68,200	-0-	
William Murray	1993	900,000(5)	284,000	-0-	92,350	-0-	135,000
President & Chief Operating	1992	857,500	750,000	-0-	54,870	2,264,541	128,625
Officer; Vice Chairman	1991	765,000	700,000		59,400	-0-	
Geoffrey C. Bible	1993	725,000	580,000	18,402	91,720	-0-	108,750
Executive Vice President, Worldwide Tobacco	1992	637,500	550,000	24,817	36,400	1,672,539	95,625
Executive Vice President, International	1991	575,000	475,000		39,600	-0-	
Richard P. Mayer	1993	657,692	450,000	-0-	62,210	-0-	35,432
Chairman & Chief Executive	1992	629,143	416,000	355	72,880	1,140,701	34,423
Officer, Kraft General Foods North America	1991	510,256	327,352		39,600	-0-	
John M. Keenan	1993	540,996	360,000	-0-	49,120	-0-	25,354
President & Chief Executive	1992	485,162	300,535	-0-	24,390	1,116,805	29,001
Officer, Kraft General Foods International	1991	443,333	320,411		23,100	-0-	
Hans G. Storr	1993	565,000	168,000	-0-	44,620	-0-	84,750
Executive Vice President &	1992	525,000	495,000	-0-	28,520	1,082,555	78,750
Chief Financial Officer	1991	470,000	450,000		30,800	-0-	

(1) Pursuant to the rules of the Securities and Exchange Commission, information with respect to 1991 has been omitted.

(2) At December 31, 1993, each of the named executive officers held shares of restricted stock, with a value at such date, as follows: M.A. Miles, 33,600 shares, $1,869,000; W. Murray, 28,000 shares, $1,557,500; G.C. Bible, 11,200 shares, $623,000; J.M. Keenan, 9,800 shares, $545,125; and H.G. Storr, 19,600 shares, $1,090,250.

(3) In 1990, long-term performance awards were made to a limited number of senior executives. The awards were tied to the achievement over a three-year period of corporate or business unit performance criteria as adjusted to recognize individual accomplishments. The information in this column reflects the amount earned for the three-year period ended December 31, 1992.

(4) Amounts in this column consist of allocations to defined contribution plans.

(5) In 1993, Messrs. Miles and Murray, at their own recommendation and with the agreement of the Compensation Committee, did not receive salary increases. Salaries reported for 1993 exceed those reported for 1992 because of salary increases that became effective July 1, 1992.

1993 Option Grants

Name	No. of Shares Underlying Options Granted	% of Total Shares for Which Options Granted to Employees	Exercise Price	Expiration Date	Grant Date Present Value(1)(2)
Michael A. Miles	125,000	1.49%	$49.0625	6/27/03	$1,153,750
William Murray	92,350	1.10	49.0625	6/27/03	852,391
Geoffrey C. Bible	91,720	1.09	49.0625	6/27/03	846,576
Richard P. Mayer	62,210	0.74	49.0625	6/27/03	574,198
John M. Keenan	49,120	0.58	49.0625	6/27/03	453,378
Hans G. Storr	44,620	0.53	49.0625	6/27/03	411,843

(1) Options are not exercisable until one year after the date of grant. However, in the case of death, permanent disability or retirement, the Compensation Committee has the discretion to accelerate vesting.

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(2) Grant date present value is determined using the Black-Scholes Model. The Black-Scholes Model is a complicated mathematical formula widely used to value exchange traded options. However, stock options granted by the Company to its executives differ from exchange traded options in three key respects: options granted by the Company to its executives are long-term, non-transferable and subject to vesting restrictions while exchange traded options are short-term and can be exercised or sold immediately in a liquid market. The Black-Scholes Model relies on several key assumptions to estimate the present value of options, including the volatility of and dividend yield on the security underlying the option, the risk-free rate of return on the date of grant and the term of the option. In calculating the grant date present values set forth in the table, a factor of 25.13% has been assigned to the volatility of the Common Stock, based on daily stock market quotations for the five years preceding the date of grant, the yield on the Common Stock has been set at 5.299%, based upon its annual dividend rate of $2.60 per share at date of grant, the risk-free rate of return has been fixed at 5.96%, the rate for a ten-year U.S. Treasury Note in June 1993, the month of grant, as reported in the Federal Reserve Statistical Release, H.15(519), and the actual option term of ten years has been used. Consequently, the grant date present values set forth in the table are only theoretical values and may not accurately determine present value. The actual value, if any, an optionee will realize will depend on the excess of the market value of the Common Stock over the exercise price on the date the option is exercised.

1993 Option Exercises and Year-End Value

Name	Number of Shares Acquired on Exercise	Value Realized	Total Number of Shares Underlying Unexercised Options Held at December 31, 1993		Total Value of Unexercised, In-the-Money Options Held at December 31, 1993(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael A. Miles	–0–	$ –0–	772,200	125,000	$1,949,812	$820,313
William Murray	–0–	–0–	54,870	92,350	–0–	606,047
Geoffrey C. Bible	–0–	–0–	219,000	91,720	3,223,187	601,912
Richard P. Mayer	–0–	–0–	182,480	62,210	890,625	408,253
John M. Keenan	–0–	–0–	148,666	49,120	2,397,982	322,350
Hans G. Storr	–0–	–0–	87,320	44,620	243,250	292,819

(1) Based on the closing price of the Common Stock on December 31, 1993, $55⅝.

Long-Term Incentive Plan—Awards in 1993

Name	Number of Units (1)	Performance Period Until Maturation	Estimated Future Payouts (2)(3)		
			Threshold	Target	Maximum
Michael A. Miles	–0–	3 yrs.	$–0–	$2,017,500	$3,631,500
William Murray	–0–	3	–0–	1,776,000	3,196,800
Geoffrey C. Bible	–0–	3	–0–	1,957,500	3,523,500
Richard P. Mayer	–0–	3	–0–	1,661,538	2,990,768
John M. Keenan	–0–	3	–0–	1,351,494	2,432,689
Hans G. Storr	–0–	3	–0–	879,600	1,583,280

(1) Participants are not awarded a number of units. Rather, awards are expressed as a percentage of aggregate salary and annual bonus earned by the participant during the three-year performance cycle commencing January 1, 1993 and ending December 31, 1995.

(2) Estimated future payouts ("earned awards") are predicated upon the achievement of overall corporate and operating unit performance goals, including financial and non-financial goals, and may be adjusted for individual performance. Because future payouts are based on three-year total cash compensation, the amount of the target award opportunity is not presently determinable. However, an estimate is provided based upon the assumption that the amount of salary and annual bonus earned in 1993 is earned in each year of the three-year performance cycle. The target award opportunities expressed as a percentage of total cash compensation range from 40% to 50% based on the executive's position in the Company.

(3) A participant's earned award can range from 0% to 180% of the target award opportunity.

Pension Plan Table—Philip Morris Retirement Plan

Five-Year Average Compensation	Years of Service (1)				
	15	20	25	30	35
$ 500,000	$130,156	$173,541	$ 216,927	$ 260,312	$ 303,697
750,000	195,781	261,041	326,302	391,562	456,822
1,000,000	261,406	348,541	435,677	522,812	609,947
1,250,000	327,031	436,041	545,052	654,062	763,072
1,500,000	392,656	523,541	654,427	785,312	916,197
1,750,000	458,281	611,041	763,802	916,562	1,069,322
2,000,000	523,906	698,541	873,177	1,047,812	1,222,447
2,500,000	655,156	873,541	1,091,927	1,310,312	1,528,697

(1) At February 1, 1994, Messrs. Miles, Murray, Bible and Storr had accredited service of 3, 24, 10 and 39 years, respectively. Reference is made to the material appearing under the caption "Kraft General Foods Retirement Plan" for additional information. Mr. Bible is also eligible to receive a retirement benefit under the retirement plan of a Swiss subsidiary of the Company. At his current annual salary, upon retirement at age 65, he would receive, in addition to the retirement allowances payable to him under the Philip Morris Retirement Plan and the Kraft General Foods Retirement Plan (see below), an annual benefit of SFr.310,325 (approximately $214,150 on February 1, 1994.)

Messrs. Miles, Murray, Bible and Storr participate in the Philip Morris Retirement Plan (the "Retirement Plan") which is a non-contributory plan maintained for the benefit of certain employees of the Company. The Retirement Plan provides for fixed retirement benefits in relation to the participant's years of accredited service, five-year average compensation (the highest average annual compensation during any period of five consecutive years out of the ten years preceding retirement) and applicable social security covered compensation amount. Allowances are payable upon retirement at the normal retirement age and at earlier ages. Compensation includes the amounts shown as annual salary and bonus in the Summary Compensation Table. At December 31, 1993, five-year average compensation for Mr. Murray was $1,354,500; Mr. Bible, $963,139; and Mr. Storr, $860,600. However, a participant with more than 35 years of accredited service is limited to the greater of a full retirement allowance based upon 35 years of service and five-year average compensation, including annual bonus awards, or a full retirement allowance based on all service and five-year average compensation, excluding such awards.

Examples of annual retirement allowances payable under the Retirement Plan are set forth in the above table. The examples, which assume retirement at the normal retirement age of 65, are based upon the social security covered compensation amount in effect for an employee attaining age 65 in calendar year 1994.

Pension Plan Table—Kraft General Foods Retirement Plan

Five-Year Average Compensation	Years of Service (1)				
	15	20	25	30	35
$ 500,000	$124,257	$165,677	$ 207,096	$ 248,515	$ 261,015
750,000	187,070	249,427	311,783	374,140	392,890
1,000,000	249,882	333,177	416,471	499,765	524,765
1,250,000	312,695	416,927	521,158	625,390	656,640
1,500,000	375,507	500,677	625,846	751,015	788,515
1,750,000	438,320	584,427	730,533	876,640	920,390
2,000,000	501,132	668,177	835,221	1,002,265	1,052,265
2,500,000	626,757	835,677	1,044,596	1,253,515	1,316,015

(1) At February 1, 1994, Messrs. Miles, Bible, Mayer and Keenan had accredited service of 9, 1, 4 and 30 years, respectively. Reference is made to the footnote to the Pension Plan Table—Philip Morris Retirement Plan for additional information with respect to Mr. Bible.

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Messrs. Miles, Bible, Mayer and Keenan will be eligible for benefits under or participate in the Kraft General Foods Retirement Plan (the "KGF Retirement Plan") which provides for fixed retirement benefits in relation to the participant's years of service, five-year average compensation (the highest average annual compensation during any period of five consecutive years out of the ten years preceding retirement) and applicable social security covered compensation amount. Compensation includes the amount shown as annual salary and bonus in the Summary Compensation Table. At December 31, 1993, five-year average compensation for Mr. Bible was $963,139; Mr. Mayer, $735,381; and Mr. Keenan, $745,025. The fixed retirement benefit is also dependent upon the periods of service prior to January 1, 1989 in which the participant elected to make contributions.

Examples of annual pension benefits payable under the KGF Retirement Plan are set forth in the above table. The examples, which assume retirement at age 62 or later, are based on the social security covered compensation amount in effect for an employee attaining age 65 in calendar year 1994. Since participant contributions could be substantial in individual cases, the benefit amounts shown in the table may be attributable in certain instances to participant contributions to a significant degree, depending upon retirement date and years of service.

Certain Agreements. The Company has entered into change of control employment agreements with each of its officer-directors and each of its other executive officers, including those named in the Summary Compensation Table. The agreements provide that, if the executive is terminated other than for cause within three years after a change of control of the Company or if the executive terminates his or her employment for good reason within such three-year period or voluntarily during the thirty-day period following the first anniversary of the change of control, the executive is entitled to receive a lump sum severance payment equal to two and one-half times the sum of his base salary and highest annual bonus, together with certain other payments and benefits, including continuation of employee welfare benefits. An additional payment is required to compensate the executive for excise taxes imposed upon payments under the agreements. Mr. Miles has entered into an employment agreement with the Company which provides that in the event of involuntary termination of employment without cause, he will be entitled to a lump sum cash payment based upon his then current base salary and most recent applicable annual incentive compensation award or a payment pursuant to the severance plan or policy applicable to him, whichever is greater.

SELECTION OF AUDITORS

The Audit Committee has recommended to the Board that Coopers & Lybrand, which firm has been the independent accountants of the Company since 1933, be continued as auditors for the Company. The stockholders are being asked to approve the Board's decision to retain Coopers & Lybrand for the fiscal year ending December 31, 1994. A representative of Coopers & Lybrand will be present at the meeting. The representative will be given an opportunity to make a statement if he or she desires to do so and will be available to answer questions.

The Board recommends a vote FOR.

STOCKHOLDER PROPOSALS

Various stockholders have submitted the four proposals set forth below. The name, address and shareholdings of each proponent and co-proponent will be furnished upon request to the Secretary of the Company.

Management and the Board take all stockholder proposals very seriously. The following proposals have been duly considered by the Board which has concluded that their adoption would not be in the Company's best interests. For the reasons set forth after each proposal, the Board recommends a vote AGAINST each proposal.

PROPOSAL 1

WHEREAS, the Kraft General Foods Division of Philip Morris Companies, Inc. is by far the largest processor, purchaser and marketer of cheese in the United States

WHEREAS, the wholesale prices of all milk and cheese produced in the U.S. closely correlate with trading on the National Cheese Exchange located at Green Bay, Wisconsin

WHEREAS, the Kraft General Foods Division of Philip Morris Companies is the dominant seller of cheese on the National Cheese Exchange (72% of all sales for the period 1988-1992)

WHEREAS, heavy selling at the National Cheese Exchange often lowers the price of all milk at the farmgate and cheese at the plant loading dock, adversely affecting the profitability of dairy farms, producer cooperatives and the proprietary cheese plants which supply us throughout the United States

WHEREAS, the National Cheese Exchange is under investigation by the State of Wisconsin, anti-trust experts and the media

WHEREAS, the numbers of U.S. family-owned dairy farms and independent cheese plants are declining rapidly due in large measure to low wholesale commodity prices and/or periodic price volatility

WHEREAS, we as a company profess to care about farmers, our cheese plant suppliers and the maintenance of a competitive, free market system

WHEREAS, the Kraft General Foods Division of Philip Morris has several options for selling excess cheese inventory other than the National Cheese Exchange

WHEREAS, less than 1% of all cheese bought and sold in the United States is traded on the National Cheese Exchange

RESOLVED, shareholders request that the Board of Directors direct management to cease trading on the National Cheese Exchange; and to undertake additional extraordinary measures to reform federal dairy pricing policies, to raise and stabilize wholesale milk and cheese prices and to insure competition among our own processing suppliers and the survival of the 145,000 remaining family-operated dairy farms in the United States.

The Board recommends a vote AGAINST this proposal.

Kraft USA, the division of your Company that markets cheese and dairy products, manages its inventories of these products and ingredients for the purpose of supporting its sales to retail food stores and, ultimately, consumers. Consequently, it seeks to produce and procure the needed quantities of cheese at the best mix of quality, price and reliability of supply it can obtain. When Kraft's cheese inventories exceed its needs for sales to food wholesalers and retailers, it attempts to dispose of such unneeded cheese at the best price it can obtain. When the best price is through a sale on the National Cheese Exchange, Kraft sells its cheese there.

The proposal would require Kraft to manage its cheese inventories not for the economic benefit of the Company but for other purposes, principally raising the price dairy farmers receive for milk. Your Company believes that acting for purposes other than ordinary business purposes would be detrimental to Kraft's business. In addition, the proposal would require your Company to impose on Kraft USA the competitive disadvantage of being the only cheese company in the nation which could not trade on the Exchange.

Equally important, Kraft and the Company are incapable of achieving the purposes of the proposal. The prices of cheese and milk are functions of marketplace forces and governmental regulation. Kraft, which uses less than 20% of the cheese and less than 11% of the milk produced in the U.S., lacks marketplace power to set dairy prices alone, and, were it to attempt to do so in concert with one or more competitors, would be subject to charges of collusion in violation of Federal and state antitrust laws. Further, requests that Federal and state dairy pricing policies be changed should be addressed to the appropriate legislative and regulatory bodies, not to Kraft, which lacks the capacity to reform them.

Therefore, your Board urges stockholders to vote AGAINST this proposal.

PROPOSAL 2

WHEREAS

—After "two years of wrangling between the EPA and tobacco companies," the "Environmental Protection Agency . . . concluded that 'passive' tobacco smoke is a human lung carcinogen" causing 3,000 lung cancer deaths yearly (*The Wall Street Journal*, 1/6/1993);

—Since the Report's release, 20 states tightened or considered tightening public smoking laws; 150 local governments enacted smoking bans, the largest being Los Angeles despite a massive effort by the tobacco industry to overturn its ban;

—Our Company joined the tobacco industry seeking a permanent injunction overturning the EPA's findings, alleging EPA officials misused scientific data and EPA regulations promoting anti-smoking objectives. The print media's reaction indicated this strategy to be faulty, if not filled with contradictions:

—The *New York Times* headlined an article on the subject: "E.P.A. Finding: Tobacco's Loss? Evidence for industry Lawsuit Appears Somewhat Shaky" (6/29/1993); In an editorial entitled, "Let Judge Choke off Tobacco Suit," *The Milwaukee Journal* editorialized: "In a transparent attempt to stave off further regulation of smoking, the tobacco industry has sued the US Environmental Protection Agency for deeming secondhand cigarette smoke a cancer risk to non-smokers. Now here is a business in deep denial. May the judge assigned to hear the industry's case see this frivolous lawsuit for what it is and throw it out" (6/24/1993).

—*USA Today* in its own editorial entitled "Expand No-Smoking Zones to Curb Passive Smoke Risk" noted the tobacco industry's lawsuit in light of the current rise in restrictions for smokers and declared: "Small wonder that the tobacco industry is resorting to ever more desperate measures." It continued: "The industry has a lonely battle to fight. It may be the sole entity harmed by smoking restrictions . . . With so much going for them, smoking bans are a valuable tool for those yearning to breathe free" (6/24/1993).

—*The Los Angeles Times*, in an editorial 6/25/1993, titled: "Fighting Fire with Smoke," concluded: "The tobacco industry increasingly recognizes the EPA's findings could do what decades of public service announcements about smoking failed to do—dramatically change laws governing smoking. As such, nervous cigarette makers feel themselves backed into a corner. Not surprisingly, then, they are lashing out. In a federal suit filed Tuesday, a coalition of tobacco groups wants the EPA report declared null and void. The EPA was biased in its use of scientific findings, the industry contends. 'The science' of cigarette smoking in humans 'is complex,' say the cigarette makers. Perhaps. But the personal and financial cost of smoking-related diseases is quite clear."

—No labels warn about Environmental Tobacco Smoke (ETS). Since our Company has successfully defended lawsuits brought by actual smokers by arguing that warnings free it from responsibility, we believe that efforts to undermine notification of ETS hazards might result in huge awards for lost ETS lawsuits;

RESOLVED that shareholders request Philip Morris to refrain from efforts to oppose legislation geared to restrict smoking in public places and to cease expenditures of funds challenging legitimate studies consistently showing ETS health hazards.

The Board recommends a vote AGAINST this proposal.

The Company believes that the lawsuit challenging the EPA's risk assessment and classification of ETS as a Class A (known human) carcinogen, has substantial merit. By using language from certain editorials which express a point of view rather than discuss the facts or merits of the lawsuit, the proponents create the erroneous impression that the EPA's findings are universally supported by all groups other than the tobacco industry. This is not the case.

The Company is participating in the lawsuit because it believes the EPA misused scientific data, exceeded its authority, and failed to follow its own guidelines, in order to promote an anti-smoking policy.

The Company has never paid money damages to plaintiffs in smoking and health cases, in part because smokers have been found to be well aware of the health risks claimed to be associated with smoking. This was true, even before the warning labels were found to prohibit such failure to warn claims, and remains true today. The proponents offer no proof that ETS lawsuits will be lost, or result in huge awards.

The Company has an absolute right to oppose legislation prohibiting smoking in public places. It is the Company's position that the interests of both smokers and non-smokers can be protected through a policy of accommodation in which public areas are provided for both smoking and non-smoking. The Company also has the right to challenge scientific studies with which it disagrees. It is the Company's position that the scientific evidence does not support claims that ETS is harmful to non-smokers.

Therefore, your Board urges stockholders to vote AGAINST this proposal.

PROPOSAL 3

WHEREAS

—Except for last year, domestic tobacco consumption rates declined 1 to 2 percent a year since the mid-1960s, falling from 42% of adult Americans in 1965 to 25.7% of adults in 1991. This decline in tobacco consumption adversely impacted domestic tobacco growers;

—As tobacco prices rose in the 1980s, U.S. companies started looking to foreign markets and, according to farm leaders, subsidized growers in places like Malawi, Argentina, and Brazil to grow tobacco of comparable quality to the American leaf for the domestic market. In 1969 less than 1 percent of the tobacco used in U.S. cigarettes was imported. By 1992, 28 percent of burley and 23 percent of the flue cured was foreign. Burley imports alone increased 40 percent between 1990 and 1992 (*Washington Post*, 5/10/93);

—*The New York Times* noted: "Farmers' profit margins have declined while the major manufacturers' profits have risen with Philip Morris' operating income for domestic tobacco doubling since 1986, to nearly $5.2 billion last year. Farmers have been squeezed by a combination of rising costs for labor, fertilizers and chemicals, and the relatively stagnant prices of tobacco leaves, depressed by an influx of cheap foreign imports." (06/06/93);

—After being challenged about unilateral price increases for domestic cigarettes even as domestic tobacco purchases and income decreased because of the foreign tobacco purchases, the major U.S. cigarette companies have agreed to support floors for content percentages of domestic tobacco for cigarettes;

—Given past actions which indicate the tobacco companies have created practices which have enhanced their own profits from tobacco as the income to tobacco farmers has decreased;

—It has been recognized that the agricultural economy in tobacco-growing states must be diversified and that funds to achieve this must come, in part, from a portion of federal cigarette excise tax revenues, as well as other funding sources;

—Various recommendations have been developed from within the tobacco-growing community to ease the transition of tobacco farmers from dependency on production for cigarette sales to alternative uses of their land, including:

1) reducing or eliminating tobacco acreage by diversification into other crops or land usage;

2) dedicating a portion of any cigarette excise tax increase for the government to purchase tobacco growing allotments and retire them. Inclusion of tax benefits forfeiting the allotments would also be effective, particularly to farmers re-investing into the growth of alternative crops.

3) providing grants and low-interest loans to tobacco farmers who change to new crops, to be used for equipment, seeds, nursery stock, new farm equipment, and irrigation systems.

RESOLVED that Philip Morris establish a Committee of the Board to review the Company's connection to its farm-suppliers and to determine how they can be helped in efforts at economic conversion from dependency on tobacco-for-cigarettes to use of farmland for other purposes. Furthermore that the Company support legislation to help ease this economic conversion for tobacco-growers at federal and state levels.

The Board recommends a vote AGAINST this proposal.

Tobacco farming is the cornerstone of the Company's most profitable business. Your Company remains committed to tobacco farming and to the growers who work to produce the U.S. tobacco crop, recognized as the best in the world.

The Company does not own or lease any tobacco producing farmland and is entirely dependent upon the production of independent farmers, who generally sell their crops in independent warehouses to dealers who purchase tobacco on the Company's behalf. While the Company has no control over the decision of independent farmers to raise tobacco or other crops, it is unlikely that tobacco farmers, many of whom already grow tobacco in rotation with other crops, wish to halt their production of tobacco, a highly lucrative crop.

It is the view of your Company that the proposal would not be beneficial either to tobacco growers or to the Company.

Therefore, the Board urges stockholders to vote AGAINST this proposal.

PROPOSAL 4

Resolved: That the shareholders of Philip Morris Companies, Inc. hereby request that the Board of Directors redeem the shareholder rights issued in 1989 unless the issue is approved by the affirmative vote of a majority of the outstanding shares at a meeting of the shareholders held as soon as possible.

Supporting Statement

In 1989, the Board of Directors adopted what is sometimes called a Shareholders Rights Plan.

This is more commonly known as a poison pill. We believe such plans tend to entrench management and depress companies' stock price. The Board created this plan unilaterally, without consulting shareholders. This proposal attempts to give shareholders an opportunity to express their views on the rights issue and the method by which it was adopted.

Poison pills have become increasingly unpopular in recent years. Since the beginning of 1990, Time Warner, United Technologies, LaQuinta Inns, and Lockheed have voluntarily redeemed their poison pills. Since 1990, a majority of voting shareholders at more than 19 companies asked management to either repeal, redeem or allow a shareholder vote on poison pills, including Kmart, Browning-Ferris, Avon Products and USX.

The effects of poison pill rights plans on the trading value of companies' stock have been the subject of extensive research. A 1986 study by the Office of the Chief Economist of the U.S. Securities and Exchange Commission on the economics of poison pill rights plans found that the adoption of poison pills caused companies' stock prices to drop. A 1988 study by Professor Michael Ryngaert, one of the authors of the 1986 SEC study, singled out rights plans like Philip Morris' with discriminatory flip-in provisions for their negative effect on shareholder value. That study found "restrictive pills can have a negative price impact even when active takeover speculation is not present." A 1992 study by Professor John Pound of Harvard's Corporate Voting Research Project and Lilli A. Gordon of the Gordon Group, found a correlation between high corporate performance and the absence of poison pills.

Given the precipitous decline in Philip Morris stock since April, 1992, the Board should consider redeeming the pill as part of an effort to improve shareholder value.

For these reasons, we believe the unilateral adoption of this poison pill plan by the Board is out of keeping with our company's broader relationship with its shareholders and harms shareholder value. Therefore, we urge a vote in favor of the resolution.

The Board recommends a vote AGAINST this proposal.

The Company's Common Share Purchase Rights (the "Rights") encourage potential acquirors to negotiate directly with the Board, which the Company believes is in the best position to negotiate on behalf of all stockholders, evaluate the adequacy of any potential offer and protect stockholders against potential abuses during the takeover process, including certain practices which do not treat all stockholders fairly and equally. The Rights will allow the Board adequate time and flexibility to negotiate on behalf of the stockholders and will enhance the Board's ability to negotiate the highest possible bid from a potential acquiror and to develop alternatives which may better maximize stockholder interests, preserve the long-term value of the Company for the stockholders and ensure that all stockholders are treated fairly and equally.

The Rights are not intended to prevent a takeover pursuant to an offer which is in the best interests of all stockholders. The Board may redeem the Rights to permit an acquisition that it determines adequately reflects the value of the Company and to be in the best interests of all stockholders.

The resolution refers to two studies regarding the effect of rights plans on the trading value of the adopting companies' stock. **However, the performance graph on page 12 of this proxy statement clearly contradicts those studies.** In addition, March and October 1988 studies by Georgeson & Company Inc., a nationally recognized proxy solicitation and investor relations firm, found that companies adopting rights plans do not lessen the value of their stock and, more importantly, that companies with rights plans received higher takeover premiums than those companies without rights plans. The March 1988 Georgeson study concluded that companies with rights plans received takeover premiums averaging 69% higher than those received by companies not protected by such plans.

The Board specifically examined its duties under Virginia law when it issued the Rights in 1989. The Board recognizes that such duties would be violated if, as the resolution suggests, the Board used the Rights as a device to entrench existing management without regard to the merits of an unsolicited offer to acquire the Company.

The Board does not believe that the Rights will deter an acquisition offer that adequately reflects the underlying value of the Company and that is fair to all stockholders. The Board believes that the redemption of the Rights at the present time would deprive the Board of a key negotiation tool that is invaluable in preserving the long-term value of the Company and protecting all stockholders from coercive and unfair takeover attempts.

Therefore, your Board urges stockholders to vote AGAINST this proposal.

OTHER MATTERS

Management knows of no other business which will be presented to the meeting for a vote, except that it has been advised that stockholder proposals not included in this proxy statement may be presented. If other matters properly come before the meeting, including proposals omitted from this proxy statement and accompanying proxy pursuant to the rules of the Securities and Exchange Commission, the persons named as proxies will vote on them in accordance with their best judgment.

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The cost of this solicitation of proxies will be borne by the Company. In addition to the use of the mails, some of the officers and regular employees of the Company may solicit proxies by telephone and will request brokerage houses, banks and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of Common Stock held of record by such persons. The Company will reimburse such persons for expenses incurred in forwarding such soliciting material. It is contemplated that additional solicitation of proxies will be made in the same manner under the engagement and direction of D.F. King & Co., Inc., 77 Water Street, New York, NY 10005, at an anticipated cost to the Company of $20,000, plus reimbursement of out-of-pocket expenses.

1995 ANNUAL MEETING

Stockholders wishing to suggest candidates to the Nominating Committee for consideration as directors may submit names and biographical data to the Secretary of the Company.

The Company's By-Laws prescribe the procedures a stockholder must follow to nominate directors or to bring other business before stockholder meetings. For a stockholder to nominate a candidate for director at the 1995 Annual Meeting, presently anticipated to be held April 27, 1995, notice of the nomination must be received by the Company between October 8 and November 7, 1994. The notice must describe various matters regarding the nominee, including the name, address, occupation and shares held. For a stockholder to bring other matters before the 1995 Annual Meeting, notice must be received by the Company within the time limits described above. The notice must include a description of the proposed business, the reasons therefor and other specified matters. For a matter to be included in the Company's proxy statement and proxy for the 1995 Annual Meeting, notice must be received by the Company on or before November 7, 1994. In each case the notice must be given to the Secretary of the Company, whose address is 120 Park Avenue, New York, NY 10017. Any stockholder desiring a copy of the Company's By-Laws will be furnished one without charge upon written request to the Secretary.

Dede Thompson Bartlett
Vice President and Secretary

March 7, 1994